

Message Text

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C O N F I D E N T I A L STATE 182670

E.O. 11652:GDS

TAGS: ENRG ETRN ID JA

SUBJECT: TRANSPORTATION FOR LNG FROM INDONESIA TO JAPAN

1. PERTAMINA'S WASHINGTON REP, GEORGE BENSON, PROVIDED FOLLOWING INTERIM REPORT JULY 21 FROM NEW YORK ON PERTAMINA/JAPANESE INVESTIGATION OF LNG TANKER CONSTRUCTION PROGRESS. (MOBIL, HUFFCO, AMERICAN BUREAU OF SHIPPING REPS ACCOMPANIED.) AFTER TRIPS TO QUINCY AND CHARLESTON YARDS, CONCLUSION REACHED THAT FIRST EASCO VESSEL WOULD NOT BE READY UNTIL DECEMBER 1977 AT EARLIEST. PROBLEM IS APPARENTLY WITH SLOWNESS OF ALUMINUM WELDING ON SPHERES AT CHARLESTON YARD. WITH NO COVERAGE OF TRANSPORT REQUIREMENTS FOR PERIOD MARCH 1977 (WHEN FIRST BADAK GAS SHIPMENT WILL BE READY) TO EARLY 1978 (WHEN FIRST CHEROKEE TANKER IS
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SCHEDULED FOR DELIVERY), WIJARSO HAS BEEN OBLIGED TO

DROP CONSIDERATION OF EASCO TANKERS AND TO GO INTO OPEN MARKET FOR HIRE OF TWO OR THREE LNG TANKERS UNTIL FIRST CHEROKEE DELIVERED. BURMAH TANKERS INFORMED OF DECISION; JULY 20. PRESENTATIONS ARE CURRENTLY BEING HEARD FROM , GOTAAS-LARSEN AND THREE OTHERS; BURMAH TANKERS HAS ALSO ASKED TO SUBMIT BID AND WILL BE PERMITTED BY PERTAMINA TO DO SO.

2. MEANWHILE, TIRTO AND ANDERSON (BURMAH TANKERS) ARE MEETING TO REACH FINAL DECISION ON RATE INCREASE FORMULA. RESOLUTION EXPECTED SHORTLY.

3. IN ORDER TO MEET GOJ (MITI) CONDITIONS ON COST OVERRUN LOAN, PERTAMINA MUST PRODUCE A FIRM LNG TRANSPORT AGREEMENT BY JULY 31.

4. MARAD HAS BEEN KEPT INFORMED. IT IS KEENLY DISAPPOINTED EASCO TANKERS WILL NOT BE EMPLOYED; BEING AWARE THAT JAPANESE YARDS NOW HAVE CHANCE TO HAVE THEIR TANKERS ACCEPTED FOR INTERIM PERIOD AND ULTIMATELY TO OBTAIN CONTRACTS FOR SIXTH AND SEVENTH VESSELS. OUT OF RESPECT FOR MARAD ADMINISTRATOR'S CANDID EXPRESSION OF VIEWS AT JULY 14 MEETING (BELOW), WIJARSO PLANS TO SEE BLACKWELL AGAIN JULY 26 OR 27 TO EXPLAIN PERSONALLY DECISIONS HE HAS MADE. (BLACKWELL'S VISITING CHARLESTON YARD JULY 22.)

5. THERE WERE ABOUT TWENTY PERSONS AT JULY 14 MEETING WITH BLACKWELL, INCLUDING MANAGING DIRECTORS OF SEVERAL JAPANESE GAS ENDUSERS, JAPANESE SHIPPING OFFICIAL FROM NEW YORK CONSULATE, AND WIJARSO; NO ONE FROM GENERAL DYNAMICS, BURMAH TANKERS, MOBIL, HUFFCO OR UK EMBASSY WAS BROUGHT ALONG. BLACKWELL TRIED TO REASSURE INDO-NESIANS AND JAPANESE OF USG DEDICATION TO SUPPORT OF GENERAL DYNAMICS, CHEROKEE CONSTRUCTION. HE ALSO EMPHASIZED, HOWEVER, HIS AGENCY'S LEGAL RESPONSIBILITY TO ASSURE THAT PROJECT IS VIABLE. TITLE XI FUNDS HAVE BEEN OR COULD BE EARMARKED TO COVER MORTGAGE GUARANTEES FOR SEVEN GENERAL DYNAMICS VESSELS, AND ASSURANCES WERE GIVEN THAT IF GD PROVIDES ALL INFORMATION MARAD REQUIRES, CONFIDENTIAL

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APPROVAL FOR GD'S RESUBMITTED APPLICATION COULD BE GRANTED IN SPACE SEVERAL WEEKS.

6. BENSON CALLED AGAIN FROM NEW YORK JULY 22 TO PROVIDE DATA ON TANKERS BEING CONSIDERED FOR HIRE, PER REQUEST FROM MARK JOHNSON. GOTAAS LARSEN IS OFFERING HDW (GERMAN) HULL NO. 83 FOR MARCH 1977 SERVICE, KAWASAKI HULL 1220 FOR DEC 1977, KAWASAKI 1221 FOR DEC 1978

AND KAWASAKI 1270 FOR DEC 1979; ALL FOUR VESSLS WOULD HAVE 128,600 CUBIC METER CAPACITY. GAZ TRANSCO (FRENCH) HAS OFFERED ZODIAC (HULL A-26) IN AUGUST 1976 AND ODYSSEY (HULL B-26) IN AUGUST 1977; BOTH ARE 122,000 CUBIC METERS. LEIF-HOEGH (NORWEGIAN?) IS EXPECTED TO OFFER

HDW HULL 84 IN OCTOBER 1977, KAWASAKI HULL 1237 IN OCTOBER 1978 AND NORMAN LADY FOR IMMEDIATE SERVICE; NORMAN LADY CARRIES 86,000 CUBIC METERS, OTHER TWO 125,000. GAS OCEAN (FRENCH) IS EXPECTED TO OFFER BENJAMIN FRANKLIN FOR IMMEDIATE EMPLOYMENT; IT CARRIES 120,800 CUBIC METERS.

7. BENSON ADDED THAT PRESIDENT OF GENERAL DYNAMICS AND TOP OFFICIAL (WILSON) FROM BURMAH OIL MEETING JULY 22 WITH WIJARSO AND TIRTO. ROBINSON

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